

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY, CALIFORNIA
AND RECORD OF ACTION**

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June 24, 2003

FROM: **DAVID H. SLAUGHTER**, Director
Real Estate Services Department

PATRICIA L. NICKOLS, Executive Director
Community Services Department

SUBJECT: **LEASE AMENDMENT WITH THE LOITZ FAMILY TRUST**

RECOMMENDATION: Approve Amendment No. 3 to Lease Agreement No. 89-650 with the Loitz Family Trust, dated 2/24/94 (Landlord) to:

1. Reflect a change in ownership and extend the term through August 31, 2005 for 12,266 square feet of storage space in San Bernardino for Community Services Department (CSD) in the amount of \$144,252; and
2. Assign said lease to Community Services Department of San Bernardino, a non-profit corporation (CSDSB), effective July 1, 2003.

BACKGROUND INFORMATION: On July 31, 1989, the Board approved a seven-year lease agreement ending August 31, 1996 with three two-year options to extend with Waterman Place Partnership for 12,266 square feet of storage space for CSD located at 255 E. Drake Drive, Suite "D" in San Bernardino. The space is occupied by the department's Food Bank operation. In the 14 years since the lease was originally approved, the Board has approved two amendments, which are summarized below:

Amend. No.	Approved	Action
1	August 6, 1996	<ul style="list-style-type: none">Extended the term five years to August 31, 2001Decreased the monthly rent from \$6,869 (\$0.56/sq.ft./modified gross) to \$4,293 (\$0.35/sq.ft./modified gross)
2	January 8, 2002	<ul style="list-style-type: none">Reflected a change in ownership to Waterman Place San Bernardino, LLCExercised the first of three two-year options to extend the term to August 31, 2003Increased the monthly rent from \$4,832 (\$0.39/sq.ft./modified gross) to \$5,520 (\$0.45/sq.ft./modified gross)

CSD requested Real Estate Services Department (RESA) exercise the second of three two-year options to extend the term to August 31, 2005 and negotiate an approval and acceptance by the Landlord to assign the County's interests and obligations in the Lease to CSDSB effective July 1, 2003. The Landlord has agreed to the assignment which includes CSDSB's agreement to indemnify, defend and hold harmless the County for any liability under the Lease, and the Landlord's consent to release the County from all rights, duties, obligations, and potential liability under the Lease as of July 1, 2003, the effective date of the assignment. The lease terms are summarized as follows:

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Landlord: Loitz Family Trust, dated 2/24/94

Location: 255 East Drake Drive, Suite "D" in San Bernardino

Size: 12,266 sq. ft.

Term: Two years commencing September 1, 2003

Options: One two-year option to extend the term is still available

	<u>Cost per sq.ft. per month</u>	<u>Monthly</u>	<u>Annual</u>
Rent: (1 st year)	\$0.48/sq.ft.*	\$5,888	\$70,656
(2 nd year)	\$0.50/sq.ft.*	\$6,133	\$73,596

*Mid-range for the San Bernardino area

Improvement costs: None

Custodial cost: Provided by Landlord

Maintenance: Provided by Landlord

Utilities: Provided by Landlord

Right to terminate: CSDSB has the right to terminate with 90-days notice

Parking: Sufficient for CSDSB's needs

REVIEW BY OTHERS: This item has been reviewed by County Counsel (Fiona Luke, Deputy County Counsel) on May 29, 2003 and the County Administrative Office (Daniel R. Kopp and Gary Morris, Administrative Analysts) on June 16, 2003.

FINANCIAL IMPACT: The total cost of this two-year amendment is \$144,252. The cost for fiscal year 2002-03 is \$66,240 (\$5,520 per month x twelve months). These program expenditures are funded 100% by state and federal sources. Effective July 1, 2003, payments will become the obligation of and made by CSDSB. Annual lease costs are as follows:

<u>Year</u>	<u>Annual lease cost</u>
September 1, 2003 – August 31, 2004	\$70,656
September 1, 2004 – August 31, 2005	\$73,596

COST REDUCTION REVIEW: The County Administrative Office has reviewed this agenda item, concurs with the department's and RESD's proposal, and recommends this action because on April 1, 2003 the Board approved the transition of CSD to an entity separate from the County effective July 1, 2003. On July 1, 2003, the County's obligation under this lease will be assigned to CSDSB.

SUPERVISORIAL DISTRICT: Fifth

PRESENTER: David H. Slaughter, Director - 7-7813

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